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TO: Secretary of ~~DEFENSE~~
FROM: Embassy WASH
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SUBJ: Erhard Visit Iran and Turkey

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Purpose Erhard visit Iran as explained by Foreign Office was to dispel doubts of Germany's economic and political interests in Iran. Foreign Office believes Erhard successfully accomplished this mission.

Understandings reached during course of visit included in protocol which contained no figures but enumerated various projects in which Iranian Government interested. Although Foreign Office representative would not say total amount these projects, press has reported they amount 'W 1.25 million. Federal Government merely agreed provide defense guarantees on basis detailed submissions and agreements between companies concerned.

Most important project in view Iranian Government is steel mill which had been planned prior World War II. Shah, apparently feeling communist pressure from Soviet Union/Afghanistan, and now Iraq, believes that some concrete evidence Iran's transformation into industrialized state must be given. Propaganda emphasizing industrialization Soviet Union under communist banner reportedly proving strong attraction Iranian people. Shah believes this can be counteracted only by Iranian industrialisation.

During course visit with Menders, major topics discussed were German assets and shipping. Menders reportedly promised legislation providing return German assets be completed by end of May. He also said Turkish Government would approve shipping agreement providing that 50 percent German goods in amount \$3 million would be carried in German bottoms. Figure had previously been \$5 million. Erhard will take up other problems during his official visit to Turkey late July or early August.

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TIMBERLAKE

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